

PG&E Corporation

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Cautionary Language Regarding Forward-Looking Statements

This presentation contains forward-looking statements regarding the anticipated outcome and timing of various regulatory proceedings involving Pacific Gas and Electric Company (“Utility”), estimated costs and future insurance recoveries associated with the natural gas explosion and fire that occurred in a residential area of San Bruno, California on September 9, 2010 (“San Bruno Accident”), and forecasts of equity financing for 2011. These statements are based on various assumptions and management’s current knowledge of relevant facts. Actual results could differ materially based on various factors, including:

- the outcome of the investigations of the San Bruno accident by the National Transportation Safety Board and the California Public Utilities Commission (“CPUC”), the CPUC’s investigation into the Utility’s recordkeeping practices for the San Bruno gas transmission pipeline that ruptured as well as for the Utility’s entire natural gas transmission system, the CPUC investigation of the December 24, 2008 natural gas explosion in Rancho Cordova, California, whether the Utility incurs civil or criminal penalties as a result of these investigations, the outcome of the CPUC’s proceeding to adopt new safety and reliability regulations for natural gas transmission and distribution pipelines, whether the Utility is required to incur additional costs for third-party liability claims associated with the San Bruno accident or to comply with regulatory or legislative mandates which costs the Utility is unable to recover through rates or insurance, and whether the Utility incurs third-party liabilities or other costs in connection with service disruptions that may occur as the Utility complies with regulatory orders to decrease pressure in its natural gas transmission system;
- explosions, fires, accidents, mechanical breakdowns, the disruption of information technology and systems, human errors, and similar events that may occur while operating and maintaining an electric and natural gas system in a large service territory with varying geographic conditions that can cause unplanned outages, reduce generating output, damage the Utility’s assets or operations, subject the Utility to third-party claims for property damage or personal injury, or result in the imposition of civil, criminal, or regulatory fines or penalties on the Utility;
 - the impact of storms, earthquakes, floods, drought, wildfires, disease, and similar natural disasters, or acts of terrorism or vandalism, that affect customer demand or that damage or disrupt the facilities, operations, or information technology and systems owned by the Utility, its customers, or third parties on which the Utility relies;
 - the extent to which PG&E Corporation or the Utility incurs costs in connection with third-party claims or litigation, including those arising from the San Bruno accident, that are not recoverable through insurance, rates, or from other third parties;
 - the outcome of federal or state tax audits and the impact of changes in federal or state tax laws, policies, or regulations, such as The Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010, and
 - the other factors discussed in PG&E Corporation’s and the Utility’s annual report for the year ended December 31, 2010 that has been filed with the Securities and Exchange Commission.



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CPUC Commissioners

**President
Mike Peevey**

**Commissioner
Tim Simon**

**Commissioner
Mike Florio**

**Commissioner
Catherine
Sandoval**

Vacant

The Governor appoints the five Commissioners to six-year terms.

**They must be confirmed by the Senate
within one year of appointment.**



2011 General Rate Case

A proposed decision and alternate proposed decision were issued for the 2011 General Rate Case (2011 – 2013)

Comparison of 2011 Revenue Requirements (\$ in Millions)

	<u>Settlement Plus Full Return on Retired Meters</u>	<u>Proposed Decision</u>	<u>Alt. Proposed Decision</u>
Settlement Revenue Requirement Increase	395	395	395
Return on Undepreciated Meters	44	25	35
Impact of Change in Amortization Period		38	38
Levelization Adjustment		(10)	(14)
Total Revenue Requirement Increase Incremental to Settlement	44	53	59
Total Revenue Requirement Increase	439	448	454



Average annual capital expenditures: \$2.2 - \$2.3B

Attrition revenues: \$180M and \$185M for 2012 and 2013

Final decision expected Mar/Apr 2011

2011 Gas Transmission and Storage Rate Case

Sets revenue requirements, rates, terms and conditions for PG&E's Gas Transmission and Storage services for 2011 – 2014

PG&E and all but one of the active parties are seeking approval of a settlement agreement

Settlement revenue requirement: \$514M for 2011

\$52M increase over 2010

\$174M average annual capital expenditures

Attrition revenues: \$27M, \$24M, and \$17M for 2012, 2013 and 2014

The CPUC added a new phase to the case to separately address pipeline safety measures and emergency response procedures to ensure the safety and reliability of the gas system



Final GT&S decision expected in Q2 2011
Final decision for new safety phase is expected in Q2 2011

FERC TO13 Filing

Sets revenue requirements for PG&E's Electric Transmission business in 2011

Revenue Requirement Request: \$1.026B
Capital Expenditures: \$810M

Requested revenues would provide for additional electric transmission capacity and increased maintenance and replacement work on substations, to improve overall reliability of the system

	Request	Approved Settlement
TO 10	\$760.5M	\$718M
TO 11	\$845.0M	\$776M
TO 12	\$946.0M	\$875M



TO13 final decision expected by Q3 2011

San Bruno Update - NTSB

NTSB released preliminary factual report in October 2010
Full report expected about a year after the accident

First Interim report in December 2010

- **Ruled out external corrosion or excavation-related damage and noted discrepancy in records**

Issued recommendations to validate and verify pipeline records in January 2011

Second interim report in January 2011

Metallurgical analysis commented on physical makeup of pipe segment and weld qualities



NTSB Fact-Finding Public Hearings in Washington D.C.
March 1 – 3, 2011

San Bruno Update – CPUC

PG&E is complying with all CPUC directives

**Completed comprehensive gas leak survey in Q4 2010
Leak rate comparable to other U.S. pipelines**

**Reduced pressure on selected pipelines to 20% below the
Maximum Allowable Operating Pressure (MAOP)**

**Began exhaustive records review in January to collect,
validate and verify records**

**Field testing may be necessary to verify the MAOP
on some pipelines**

**On 2/24/11, the CPUC began an investigation of the
Utility's gas pipeline recordkeeping**



Gas Pipeline Safety OIR

On 2/24/11, the CPUC began a proceeding to adopt new rules on pipeline safety and reliability

Primary OIR objectives

- Develop and adopt safety related changes to the CPUC's regulation of natural gas pipelines in California
- Consider ways the CPUC can undertake a comprehensive risk assessment for natural gas pipelines
- Share recommendations from Independent Review Panel and provide the public a forum to express their views



CPUC expects to hold Pre-Hearing
Conference in late Q2 2011

Pipeline 2020

A PG&E initiative to fundamentally improve gas pipeline integrity and safety

Major focus areas include:

- Modernizing critical pipeline infrastructure
- Expanding use of remote or automated shut-off valves
- Developing next-generation inspection technologies
- Developing industry-leading best practices
- Enhancing public safety partnerships



Pipeline 2020 filing targeted for Q2 2011
Expected to be considered in the Pipeline Safety OIR

Financial Summary

For 2011, internal equity sources (approximately \$200 million) expected to be sufficient to meet equity needs

Range of Estimates and Charges Related to San Bruno

	<u>Third-Party Liability Accrual</u>	<u>Direct Costs</u>
Estimated 2011 Range	\$0 - \$180 million	\$200 - \$300 million
Costs in 2010	\$220 million accrual	\$63 million

The CPUC will decide whether the Utility's ratepayers or shareholders, or both, will pay for the Utility's costs incurred in testing, pipe replacement, or other direct costs.

Ranges do not include potential penalties.

Believe most costs associated with third-party claims will be recovered through insurance



Appendix



Key Regulatory Proceedings

Regulatory Case	Docket #	Expected Decision Date
Order Instituting Rulemaking regarding New Safety Regulation for Gas Pipelines	R.11-02-019	Schedule not yet adopted
Order Instituting Investigation regarding Gas Pipeline Recordkeeping	I.11-02-016	Schedule not yet adopted
Order Instituting Investigation regarding the December 24, 2008 Accident in Rancho Cordova, California.	I.10-11-013	Schedule not yet adopted
Transmission Owner ("TO") 13 Rate Case	ER.10-2026-000	Final decision is requested in Q3 2011
Long Term Procurement Plan (LTPP)	R.10-05-006	Final decisions for Track I, II and III expected in 2011 or as appropriate
Nuclear Relicensing	A.10-01-022	Final decision is expected in Q2 2011
2011 General Rate Case ("GRC")	A.09-12-020	Final decision is expected Mar/Apr 2011
Request for New Generation Offers and Potential New Utility-Owned Generation	A.09-09-021 D.10-07-045	Decision received on December 16, 2010 approving the development and construction of Oakley; recovery of associated costs in customer rates to begin no earlier than January 1, 2016
Gas Transmission & Storage Rate Case	A.09-09-013	Final decision is expected in Q2 2011
Energy Efficiency Order Instituting Rulemaking Post-2005	R.09-01-019 D.09-12-045	Decision received on December 16, 2010 awarding a final true-up payment of \$29.1 million; the CPUC has awarded the Utility a total of \$104 million over the 2006-2008 program cycle
SmartGrid OIR	R.08-12-009 D.10-06-047	Decision received on June 24, 2010 requiring the submission of SmartGrid deployment plans by July 2011; timing of subsequent rulemaking proceedings in 2010 and 2011 TBD

